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RUEHWN/AMEMBASSY BRIDGETOWN PRIORITY 2092
RUEHCV/AMEMBASSY CARACAS PRIORITY 0806
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RUEHKG/AMEMBASSY KINGSTON PRIORITY 2782
RUEHPO/AMEMBASSY PARAMARIBO PRIORITY 1133
RUEHPU/AMEMBASSY PORT AU PRINCE PRIORITY 4672
RUEHSP/AMEMBASSY PORT OF SPAIN PRIORITY 1834
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEHC/DEPT OF LABOR WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCPDO/USDOC WASHDC PRIORITY 1687
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UNCLAS SANTO DOMINGO 002038

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STATE FOR WHA/CAR

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TAGS: [PGOV](#) [ECON](#) [MARR](#) [DR](#)
SUBJECT: DOMINICAN CONGRESS' RECORD UNDER PLD CONTROL IS
MIXED

REF: A. SD 0734
[1](#)B. 06 SD 3307
[1](#)C. SD 1748
[1](#)D. 06 SD 3521
[1](#)E. SD 1166

[1](#)1. (SBU) SUMMARY: With its sweeping victory in the 2006 congressional election, the Dominican Liberation Party (PLD) gained concurrent control of the legislative and executive branches of government for the first time (Ref A). The Congress' record over the past year is mixed: Important legislation was passed to implement CAFTA, recapitalize the Central Bank, and make electricity theft illegal. However, the Congress also approved a series of loans for the controversial Santo Domingo subway system, and failed to pass a law to modernize the national security structure. We also note that passing legislation is merely the first step in most reform efforts, and that the strengthening of the Dominican judicial system is necessary to realize the potential of new laws. END SUMMARY.

ANTI-CORRUPTION PROGRAM

[1](#)2. (U) August 16 marked the first the anniversary of the inauguration of the PLD-led Congress. In public remarks on the occasion, Senate President Reinaldo Pared Perez, who is also the Secretary-General of the PLD, emphasized the party's efforts to reduce corruption in the Congress: "It can be said categorically that the time when a man with a briefcase (of cash) could prowl the corridors of this branch of government, to corrupt lawmakers and impose the will of individuals and groups on the approval of law, has ended."

[1](#)3. (SBU) As examples of the anti-corruption drive, Pared cited the passage of legislation that was important for the country, but impacted specific business groups -- implying that in previous congresses the enactment of these laws would have been prevented through bribery. Pared also cited the

establishment of a Controllers Office, which is assisted by private external audit firm, as well the opening of the Congress' Office of Information Access, which received 1,293 inquiries in its first eight months of operation. Finally, the Senate President chided his colleagues for poor reporting on the use of the small grants funds that each manages for his district, monies which some observers consider to be little more than additions to Senators' salaries. When Senators complained about limited travel funds, Pared told them that if they wanted to fly first class they could pay the difference out of their own pockets.

LEGISLATIVE RECORD

14. (SBU) In a public presentation of the Congress' record, to which the diplomatic corps was invited, Pared maintained that 22 of the 122 laws passed by the 2006-2007 Congress had "major social and economic impact." A list of this legislation follows (to which we added three other laws), accompanied by Embassy comments on laws of particular interest to the United States.

1A. Law on Implementation of the Free Trade Agreement Between the Dominican Republic, Central America, and the United States: This seminal piece of legislation contained the changes to Dominican law, e.g. to government procurement regulations, that were necessary to bring CAFTA into force. Given the PLD's leftist roots and fact that the party inherited CAFTA from a previous administration, this law was an important statement of commitment to free trade.

1B. Law on the Recapitalization of the Central Bank: This legislation, required under the Dominican Republic's IMF program, is designed to address macroeconomic weaknesses resulting from the 2003-2004 banking crisis. The law addresses the Central Bank's quasi-fiscal deficit, which ballooned in the aftermath of the crisis as a result of large payments (exceeding that required by deposit insurance) made to individual account holders who lost their savings in the bank collapses (Ref B).

1C. Law on the Amendment of the General Law on Electricity of 2001: This legislation, also required by the IMF, made electricity theft illegal after decades of energy problems caused in part by rampant larceny (Ref C).

1D. Law on Instituting a Participatory System of Municipal Budgeting: This legislation addresses a longstanding problem with the distribution of tax receipts to city governments. Under the previous system, some US\$20 million in receipts were provided annually to the Dominican Municipal League (LMD), an umbrella organization. The funds were then doled out in a non-transparent process by the President of the LMD, the Reformist Party's Amable Aristy Castro, who is the subject of numerous corruption allegations. Under the new law, the LMD middle-man will be cut out, with municipal budgets now determined at an annual assembly of mayors.

1E. Law on Fiscal Amnesty: Together with "F" and "G" below, this legislation was part of a package of tax relief that the Government said was made possible by increased revenue resulting from economic growth that exceeded budget targets. Some analysts interpreted the legislation as purely politically motivated, coming as it did shortly before the PLD's presidential primary.

1F. Law on the Reduction of the Income Tax

1G. Law on the Reduction of the Tax on the Alcoholic Beverages and Tobacco Sectors

1H. Law on the Right of All to Simple Appeal for Legal Protection ("Amparo"): This legislation is part of President Fernandez's initiative to strengthen civil rights, an effort which he has said will include proposed constitutional amendments to define the presumption of innocence and improve

the right to habeas corpus (Ref D).

I. Law on Austerity in the Public Sector: This anti-deficit legislation puts caps on government spending.

J. Law on Civil Aviation: This legislation reorganized and renamed the General Directorate of Civil Aviation to the Dominican Civil Aviation Institute (IDAC). The reorganization is intended to improve the efficiency of IDAC and, given the elevation of the Dominican Republic to a Category I country for air safety this year, efficiency has taken on new importance.

K. Law on the Transition to Jurisdictional Control of the Administrative Activities of the State

L. Organic Law on the Ministry of Finance: Together with "M-P" below, this legislation was part of a World Bank-IDB project designed to strengthen the Ministry of Hacienda and Ministry of Planning and Development.

M. Law on the Creation of a Ministry of Planning and Development

N. Law on Public Planning and Investment

O. Law on the National System of Internal Controls Auditing

P. Law on the Creation of an Integrated System of Administrative Finance for the State

Q. Law on the General Defense of Business Competition

R. Law Against Crimes and Offenses of High Technology

S. Law on the Efficiency of Collections

T. Law on Commercial Arbitration

U. Law on Industrial Competitiveness and Innovation: This legislation was passed primarily to strengthen the failing textile maquilas in the free trade zones by giving them additional tax breaks and subsidized loan rates to assist diversification.

V. Law on the Mercantile Restructuring and Judicial Liquidation

W. Law on the Granting of Special Incentives to those Receiving Foreign Pensions

X. Law on the Establishment of a Regulatory Regime for the Development of Micro-, Small-, and Medium-Sized Enterprises

Y. Law on Renewable Energy Incentives: In addition to create incentives for the development of renewable energy, this legislation will regulate activity in the sector. Implementing regulations will be put in place starting in September 2007, with the goal of establishing a national master plan for renewable energy development by August 2008. This law opens the door to the development of biofuels and ethanol production, as well as wind, solar, and other renewable energies.

COMMENT

5. (SBU) On its own, the legislation that brought CAFTA into force would stand as a decent record for the Dominican Congress for the 2006-2007 session. Add to that the laws to recapitalize the Central Bank and make electricity theft illegal and a reasonable record emerges. However, the Congress' term is marred by its acquiescence in funding President Fernandez's prized Santo Domingo subway project, which is controversial because of its high cost and lack of transparency in procurement. Legislators approved hundred of millions of dollars of loans for the transportation system (estimates range as high as US\$683 million) (Ref E).

¶6. (SBU) The Embassy would have liked to have seen the Congress act more quickly on the pending Law on National Security and Defense. The Dominican Republic is in dire need a modern defense strategy, one in which budgeting decisions are made based on strategic objectives that are determined by a deliberative method, and which brings together all government entities (not just the military) in a coherent inter-agency process. The new legislation carries the potential for addressing these important issues.

¶7. (SBU) Finally, we note that passing legislation is merely the first step in most reform efforts, and that the unfortunate pattern here in areas such as anti-corruption, money laundering, and trafficking in persons is: Good legislation, decent prosecution, and very few (if any) convictions. The strengthening of the Dominican judicial system is therefore one of the top Country Team and USAID programming objectives.

(U) This report and additional information can be found on Embassy Santo Domingo's SIPRNET site,

<http://www.state.sgov.gov/p/wha/santodomingo/>
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